

ORIGINAL

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- - - - -X

UNITED STATES OF AMERICA : FELONY INFORMATION
- v. - : 14 Cr. 399 (KMK)
WAYNE KAWASH, :
Defendant. :

- - - - -X

COUNT ONE
(Tax Evasion)

The United States Attorney charges:

BACKGROUND

1. Rojo Salon, Inc. ("Rojo") was a business that provided hair cutting and other hair care and salon services, such as hair coloring, hair extensions, manicures, and pedicures. Located at 191 North Main Street, New City, New York, Rojo was formed and operated as a Subchapter S corporation. Rojo was owned, controlled, and managed by Margaret Viola ("Viola"), who dictated the amount and structure of the compensation paid to Rojo's employees.

2. At all times relevant to this Information, WAYNE KAWASH, the defendant, was a United States citizen who resided in Washingtonville, New York. From in or about 2002 through in or about 2008, KAWASH was employed by Rojo as a hair stylist and hair cutter.

APPLICABLE PROVISIONS OF THE INTERNAL REVENUE CODE

3. The Internal Revenue Service ("IRS") was and is an agency of the United States Department of the Treasury, a department or agency of the United States of America.

4. Citizens and residents of the United States who have income in any one calendar year in excess of a threshold amount ("United States taxpayers") are obligated to file with the IRS a U.S. Individual Income Tax Return, Form 1040, for that calendar year. On a Form 1040, United States taxpayers are obligated to report all of their income from any source, including, among other income, tips received in exchange for services, whether paid in cash or otherwise.

5. Employers are required annually to issue to each employee and file with the IRS an IRS Form W-2, which reports, among other things, all wages paid to the employees. United States taxpayers who receive wages as employees are required to attach a copy of their W-2s to their U.S. Individual Income Tax Returns.

THE SCHEME TO EVADE TAXES ON
INCOME RECEIVED FROM AND THROUGH ROJO

6. From at least in or about 2002 through in or about 2008, WAYNE KAWASH, the defendant, engaged in a scheme to evade taxes on the income he earned from and through Rojo. Among the means and methods by which KAWASH carried out the tax

fraud scheme were the following:

a. KAWASH agreed with Viola, Rojo's Owner, that KAWASH would be paid approximately 75% of the fees that KAWASH's customers paid as a result of the hair cutting and other services KAWASH performed while at Rojo, with the other 25% going to Rojo. KAWASH also agreed with Viola that only a small percentage of KAWASH's 75% share would be paid to him "on the books," that is, through a corporate check issued to him by Rojo. The remainder of KAWASH's income would be paid to him "off the books," through checks made payable to cash, or cash fees, that were given to KAWASH by Rojo clients. For the tax years 2004-2008, KAWASH received the following amounts of income through client checks made payable to cash, or through cash payments from customers:

TAX YEAR	INCOME FROM CASH AND CHECKS PAYABLE TO CASH
2004	\$ 4,904
2005	\$17,185
2006	\$39,572
2007	\$38,322
2008	\$19,447

b. As a result of the aforementioned agreement between KAWASH and Viola, the IRS Forms W-2 issued to KAWASH by Rojo for the tax years 2004-2007, and filed by Rojo with the

IRS, falsely and fraudulently under-reported the wage income received by KAWASH as a result of his work at Rojo.

c. In order to hide from the IRS the majority of the wage income he received from and through Rojo, KAWASH: (i) failed to inform his tax preparer that he was paid a majority of his Rojo wage income in cash and through client checks made payable to cash; and (ii) filed U.S. Individual Income Tax Returns, Forms 1040, for the tax years 2004-2008 that falsely and fraudulently under-reported his adjusted gross income, taxable income, and tax due and owing.

STATUTORY ALLEGATIONS

7. From on or about January 1 of each of the calendar years set out below, through on or about April 15 of the year following each said calendar year, in the Southern District of New York and elsewhere, WAYNE KAWASH, the defendant, wilfully and knowingly did attempt to evade and defeat a substantial part of the income tax due and owing by him to the United States of America for each of the said calendar years by various means, including, among other things, by preparing and causing to be prepared, by signing and causing to be signed, and by filing and causing to be filed with the Internal Revenue Service, false and fraudulent United States Individual Income Tax Returns, Forms 1040, for the calendar years 2004 through 2008, wherein WAYNE KAWASH failed to report substantial wage

income he received from and through Rojo and thus falsely stated that his taxable income was in the amounts set forth below, and that the amount of tax due and owing thereon was in the amounts set forth below, whereas, as WAYNE KAWASH then and there well knew and believed, the correct taxable income and correct tax due and owing for the calendar years 2004 through 2008 were substantially in excess of the amounts reported, as set forth below:

TAX YEAR	TAXABLE INCOME REPORTED	TAX REPORTED	CORRECTED TAXABLE INCOME	CORRECTED TAX
2004	\$12,850	\$1,574	\$17,754	\$2,301
2005	\$ 0	\$ 0	\$16,846	\$2,159
2006	\$ 0	\$ 0	\$30,603	\$4,216
2007	\$ 8,549	\$ 888	\$46,871	\$8,141
2008	\$ 8,883	\$ 930	\$28,330	\$3,848

(Title 26, United States Code, Sections 7201)


 PREET BHARARA

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**United States Attorney for Southern District of New York
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